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# Market Research: Understanding the Education Market in China and the Possibility of Recruiting Chinese Students to Study in Other Asian Countries

Case company: Asia Exchange

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<p>This thesis aims to conduct a market research for Asia Exchange, a study abroad agency from Finland, to offer an insight into the current state of the education market in China, and to investigate the possibility of recruiting Chinese students to study in the Asian destinations arranged by Asia Exchange. The company would like to bring its programmes to the Chinese market to recruit, but it is hesitating to enter the Chinese market due to insufficient information. This thesis will help Asia Exchange to understand the Chinese education market by devising different types of market entry strategies to help the agency to enter the Chinese market in future.</p> <p>A literature review has been conducted to present the theoretical knowledge gained in this thesis, including the activities involved in international marketing and market entry strategies to China. On the second phase of this thesis, quantitative research has been conducted to inspect the general information about the Chinese education market. In addition, 31 semi-structured interviews have been conducted to show concrete thoughts from universities, students, and study abroad agencies in China to indicate their attitudes to Asian study destinations offered by Asia Exchange.</p> <p>The key findings of this thesis: The study destinations preferred by Chinese students are either English-speaking countries or advanced countries in Asia like Japan and Hong Kong. Most of the interviewees have expressed that southeast Asian countries are not attractive to the Chinese students. The result of this thesis indicates a few alternative possibilities that Asia Exchange could consider when entering the Chinese market. The possibilities include discovering a niche market by helping Chinese universities with limited exchange placement quota, taking the advantage of the 'One Belt, One Road' initiative, and undertaking aggressive marketing activities to get its study destinations famous in China. Asia Exchange can consider the information collected by this thesis for blueprinting the market entry strategies to the Chinese education market.</p>	
Keywords	Study Abroad, China, Asia Exchange, Education, Student, University, Agency

## Contents

1	Introduction	1
1.1	Thesis background	1
1.2	Thesis objective	2
2	Literature Review	3
2.1	Marketing and international marketing	3
2.1.1	Marketing	3
2.1.2	International marketing	3
2.2	Market research	4
2.2.1	Overview of market research	4
2.2.2	Market research for international marketing	5
2.3	International marketing activities	5
2.3.1	International marketing mix	7
2.3.2	PESTLE analysis	7
2.4	Market entry strategy to China	9
2.4.1	Representative office	9
2.4.2	Wholly foreign-owned enterprise (WOFE)	9
2.4.3	Foreign-invested commercial enterprise (FICE)	10
2.4.4	Joint venture	10
3	Methodology	10
4	Chinese Market Research	11
4.1.1	General education structure in China	11
4.2	Tertiary education in China	13
4.2.1	Universities in China	15
4.2.2	Tuition fee in China	16
4.3	Outbound mobility in tertiary education in China	16
4.3.1	The trend	16
4.3.2	Outbound mobility comparison	18
4.3.3	Top 11 study destinations among Chinese students	19
4.4	Study abroad agencies in China	21
4.5	Parents in China	25
4.6	Attitude towards Asian destinations	26
4.6.1	Students	26

4.6.2	Universities	27
4.6.3	Study abroad agencies	28
5	PESTLE Analysis	31
5.1	Political force	31
5.2	Economic force	31
5.3	Social force	32
5.4	Technological force	32
5.5	Legal force	33
5.6	Environmental force	33
6	Marketing Mix	34
6.1	Current marketing mix	34
6.1.1	Product	34
6.1.2	Price	35
6.1.3	Promotion	35
6.1.4	Place	35
6.2	Marketing mix in Chinese market suggestions	36
7	Conclusion	37
7.1	Conclusion	37
8	Bibliography	39

## Appendices

### Appendix 1. Interview questions to agencies, student, and university

## Figures

Figure 1. Mega trend in Chinese education market, according to sources from Deloitte (Deloitte, 2015)

Figure 2. Enrolment in tertiary education in China (UNESCO, 2016)

Figure 3. The amount and number of investment in the education industry in China, according to sources from Deloitte

Figure 4. Outbound international mobile students in tertiary education (UNESCO, 2017)

Figure 5. Year-over-year growth of outbound mobility in tertiary education

Figure 6. TABLE A TERTIARY EDUCATION/International flows of mobile students by country of origin/2012 (UNESCO, 2012)

Figure 7. Top 11 destinations preferred by Chinese students to study abroad in 2015 (UNESCO, 2016)

Figure 8. Advertisement method in the study abroad industry (Skibickij , 2016)

Figure 9. The attitude of agencies towards Asia Exchange's study destinations

Figure 10. Do agencies think that Chinese students are interested in studying in Asian destinations?

## 1 Introduction

### 1.1 Thesis background

It is a paper on market research to assist Asia Exchange to understand the demand for overseas student programmes in China, the education system of China, and the possibility of getting into China.

Asia Exchange is a Finnish company, which was founded in 2007 by two Finnish businessmen, Mr Tuomas Kauppinen and Mr Harri Suominen. It provides opportunities to students to spend one to two semesters abroad at Asian partner universities. The idea behind establishing this company is to encourage more young people go on exchange so that they can explore the world.

Initially, the company only assisted Finnish students to study in Asia. The founders, on their own experience of being exchange students in Asia, wished to give more Finnish students a chance to explore Asian countries and experience different cultures. Moreover, the tuition fee would be more affordable in Asian destinations than other continents. Therefore, the company concentrates on study destinations in Asia.

A decade after the company was founded, it has been growing steadily with more than 1,000 students from 50 different countries enrolled in the exchange programmes, with most of the participants from Europe and America. The company has become one of the biggest student recruitment agencies in Europe, especially in German and Finnish markets. With its success in the European and American markets, the company is now planning to expand to Asia and recruit more Asian students.

China is one of the target markets in Asia due to its rapid development in both economic and education sectors. The number of Chinese students enrolled in higher education increased in the past decade along with the number of outbound Chinese students. There are more than 99,000 students aged 19–22 years, who are at the age of receiving tertiary education<sup>1</sup>. Only 20.5% of the total number of students enrolled in the tertiary education in 2006; it rose to 43.4% in 2015. In other words, the number of students enrolled in tertiary education doubled within 10 years (UNESCO, 2016).

Despite a significant demand for overseas study programmes, there are numerous uncertainties for Asia Exchange regarding its entry to the Chinese market: (1) Preference of Asian universities—China is in Asia and thus many Chinese people have travelled to other Asian countries. They might want to study in some countries other than in Asia. Furthermore, English-speaking countries are always the most popular study abroad destinations in China; (2) demand for exchange programmes; (3) acceptance of free-mover students<sup>1</sup>; and (4) external environmental factors—political and cultural factors are always the biggest obstacles for foreign companies to get into China. Although China is becoming one of the world's strongest countries, its undefined and complicated policies and cultures would be a challenge to the company to set foot in the Chinese market.

## 1.2 Thesis objective

This thesis aims to review the current state of the Chinese education market in respect to exchange studies. Another aim is to identify the market opportunity for Asia Exchange in the Chinese student exchange education market. Since the Chinese education market would be new venture for Asia Exchange, it is crucial to conduct comprehensive research to gather information to identify all the opportunities and threats that the company might encounter when entering this market. The company can also develop market entry strategies for the Chinese market by using the information collected by this thesis. The company is looking at the following areas:

- The size and the demand of overseas study programmes
- Students', universities', and agencies' attitudes towards Asian study destinations
- Study-abroad agency in China

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<sup>1</sup> Free-mover students: Students who opt for exchange programmes without using the home university's bilateral agreement with its partner university. These students can apply to exchange programmes individually or through third-party providers.

By gathering such information, the company can understand the market better and accordingly define the opportunities. It is important to gauge the attitudes of students, universities, and agencies, since students are the consumers and agencies are either competitors or cooperation partners. With this information, the company can adjust the current marketing mix for the Chinese market. A tailor-made marketing plan can also be designed to identify strategies for entering the Chinese market. The company can elaborate the market entry approach and develop further hypotheses.

## 2 Literature Review

The Chinese education market is a potential and viable option for Asia Exchange. A literature review is essential for the company to create a market plan and entry strategies for this market.

### 2.1 Marketing and international marketing

#### 2.1.1 Marketing

*Marketing is managing profitable customer relationship* (Kolter, et al., 2013); it is a word that contains different tools and types of knowledge to determine whether a company is profitable or not. The aim of marketing is to satisfy customer needs and build a long relationship with customers to create a profitable exchange relationship.

In order to create a profitable customer relationship, a company needs to understand the needs as well as wants of customers. This is the most important step in marketing as it defines the kind of products and service that they want and need. If customers do not want or need a product, its value is 'zero' and it becomes unprofitable. Marketers can develop products or services with a superior value that can satisfy customer needs and wants. With this, they can aim to establish a profitable relationship with customers.

#### 2.1.2 International marketing

International marketing shares the same principle and concepts of marketing. The only difference is that in this case, marketing functions and activities take place in more than one country. Hence, the complexity and diversity of marketing activities in foreign markets increase due to their uniqueness (Cateora & Graham, 1999). Market plan and marketing activities used in the domestic market might not be applicable to foreign markets



due to the differences between the markets. Marketers should cope with uncertainties and uncontrollable external factors before entering a foreign market.

Uncontrollable elements include competitions, laws, cultures, level of technology, and other external environmental factors. These are the certain elements in foreign markets that cannot be changed by the company. However, the company can adjust some controllable elements internally, such as products, price, promotion, place, and business plan and marketing strategies, to adapt to the market. Therefore, market research has an important role to play to give the company an idea about foreign markets; it enables the company to understand the constraints and opportunities of such markets. It usually takes some time and effort to conduct some kind of comprehensive market research and accordingly devise new marketing plans for foreign markets with different strategies to tackle different levels of uncertainties and adapt to the uncontrollable elements; however, this can minimize the chance of failure in such markets (Levitt, 1983).

## 2.2 Market research

### 2.2.1 Overview of market research

Market research takes the role of providing information-linkage, thus establishing a formal communication link with the environment, including consumers and the public, and market users. Marketers can generate, transmit, and interpret information from consumers and the public (Churchill, 1998). Building up a communication link with the market environment is essential as marketers should always have a good understanding of the market and consumers. Moreover, marketers can collect information through links. On the other hand, it is difficult to build links, since global economy is changing every day and it is not predictable sometimes. The information collected today may become outdated tomorrow due to uncertainties. Furthermore, the communication link working in one area does not mean that it would work in other areas because of environmental differences. Cultural and political differences are the critical factors that determine whether the existing links working in one area would work in another area (Churchill, 1998).

Even though it is hard to establish a communication link with the environment, the importance of market research should not be underestimated in marketing, as information

can be generated, transmitted, and interpreted through market research. The information obtained from market research can be used in four main areas: (1) to identify and define marketing opportunities and problems; (2) to generate, refine, and evaluate marketing actions; (3) to monitor marketing performance; and (4) to improve our understanding of marketing as a process (Bennett, 1995).

Market research can be widely used for different purposes based on what kind of information the marketer is looking for. Marketers can design suitable approaches and methods to collect and interpret information. The quality of information and research determines how useful the research would be for the company.

### 2.2.2 Market research for international marketing

Apart from the above-mentioned functions of market research, it can be carried out for other purposes depending on how marketers use it. For example, it is necessary for many international companies to understand the prospect of getting into a new foreign market. Market research can inspect the new foreign market to help companies to understand the new market and design a suitable approach to get into it (Churchill, 1998).

Through market research marketers can understand the current situation of the foreign market—a clear vision of the foreign market can be grasped by collecting quantitative and qualitative data. With adequate knowledge of the market, marketers can develop the international marketing strategy further. It is also possible for them to create a new hypothesis after understanding the market.

### 2.3 International marketing activities

Generally, international marketing can be categorized into three different concepts, namely domestic market extension, multi-domestic market, and global marketing (Levitt, 1983). These three concepts can be described as the stages of evolution of international marketing in a company. Depending on its size, resources and attitude, and ambition towards the international market, the company can choose one of the concepts.

**The domestic market extension concept** is aimed to extend sales to a foreign market and increase the company's growth. At the same time, the domestic market remains the priority market for the company, which can utilize the existing domestic operation and domestic products in the foreign market. The belief behind this concept is that if the product sells in the domestic country, it will sell in everywhere else. The marketer tries to find similar market as domestic market so that the adjustment and adaptation of the marketing mix and market plan can be minimized, but the products will be accepted by the foreign market. This approach takes the least effort, time, and resources for the company to become internationalized and receive an appreciable profit (Levitt, 1983).

**The multi-domestic market concept** is carried out from one country to another, and this concept focuses more on the uniqueness of the offshore business. Vast differences between the domestic market and the foreign market do not allow the company to consider the domestic market extension concept; if it is not applicable, the company has no choice but to carry out separate marketing strategy for every foreign market (Levitt, 1983). Owing to the uniqueness of the foreign market, the domestic marketing mix is not adaptable. To reduce the complexity of international marketing, a localized marketing mix should be adapted in the foreign market. Therefore, this concept no longer looks for the similarities between the domestic market and the foreign market. On the other hand, the transformation from standardization to localization would be the most encouraging approach—it would be like establishing a subsidiary—since the marketing mix can be implemented independently in the offshore market and has little interaction with the domestic market at the same time. The company usually does not centralize the control, but only implements some sort of localized control in the foreign market. For example, the company sells domestic standardized products in the foreign market, while prices, promotion, and distribution channels are localized in every market.

**The global market concept** is suitable for a global company that sees the world as a single unit in terms of marketing to develop a global marketing strategy, which would be applicable in anywhere in the world. The commonality of the marketers utilizing this concept is to seek one approach to satisfy the demands of global citizens. Typically, marketers recognize similar needs of the global potential customer and accordingly develop a standardized marketing plan. 'The global corporation operates with resolute constancy—at low relative cost—as if the entire world (or major regions of it) were a single

entity; it sells the same things in the same way everywhere' (Levitt, 1983). Taking the advantage of standardizing the marketing mix—such as products, distribution channels, pricing strategy, and promotion methods, among others etc.—a company can enjoy a low fixed cost in terms of marketing and production. Since the target customer is globally located, the high demand for products and standardization can result in large-scale production (Mühlbacher, et al., 2006).

### 2.3.1 International marketing mix

The marketing mix is 'a mixture of tools, techniques and media commonly used in planning marketing operations' (Yadin, 2002). It is also known as 4Ps (Price, Products, Promotion, and Places). These elements affect the marketing decision process and support each other to help the company to build its brand image. Products can be tangible or intangible, such as services, which are created to satisfy the consumer's need. Price refers to the cost that the company needs to pay for the products. It is crucial to set an appropriate price at which the customer would like to pay money and buy the product and there would be a good enough profit margin for the company to maintain its operation. Promotion refers to the way in which the company informs customers about its products. Places refer to the locations or channel where the product or service are sold.

When considering the business plan, the marketing mix is the most important tool as it helps the company to understand how to combine and allocate its resources and capital. All the elements within a marketing mix are controllable—a company can change and modify the plan when it enters a new market. Emerging in a new market is difficult, as there are a lot of uncontrollable elements that might put obstacles in the path of progress. Therefore, it is rather beneficial to optimize the marketing mix by utilizing these controllable elements to adapt to the market.

### 2.3.2 PESTLE analysis

PESTLE is a tool to understand the macro environment of a foreign market. In this analysis, it consists of six major external forces that influence the company the most in foreign markets. These factors are the external forces that are uncontrollable; they give opportunities and issue threats to the company. Hence, the company has no ability to change the factors, but adapt them to foreign markets (PESTLEanalysis Contributor, 2015).

PESTLE analysis is one of the most important analysis in international market research to understand the foreign market and identify the upcoming challenges so that the marketer can consider these forces when designing a marketing plan.

Political forces refer to the degree of government intervention in the economy. There are different policies to maintain the stability of the economy and protect the interests of every party involved in the market (Amanda, 2017)—for example, tax policies and trade tariffs are the policies that influence the company most. The company should consider these policies when designing the company structure in revenue generation.

Economic forces refer to those factors that affect international and national economic movements and provide both positive and negative impacts to marketing activities. The factors include economic growth, fluctuation of currency, interest rate, inflation rate, and so on. The economic situation is uncontrollable, but preparations can be made to tackle economic fluctuations (Marmol, 2015). Taking economic growth as an example, when a country encounters a period of economic recession, a decrease in its overall demand for goods and services should be anticipated.

Social forces are related to cultural and sociological issues. Change of population is considered as a major issue of sociology; it includes the fluctuation of birth rate and aging problem. These factors affect the supply of workforce and the demand for the products. Other sociological factors include career attitude, safety and health awareness, age distribution, birth rate etc. All these factors can impact the company. The magnitude of their impact depends on the degree to which the company and its products become coherent with society (Annmarie, 2014). Moreover, the company has to pay attention to the Asian cultures as the cultural structure is more complicated and it is totally different from western cultures.

Technological forces have become more and more important for companies to enter international marketing. It is a digital century where many people rely so much on electronic communication and the Internet. An international company does not only focus on the traditional off-site marketing, but also adopts digital marketing. The amount of technological awareness is another crucial factor: Such a company should evaluate how much resources should work as input in technological development (Annmarie, 2014).

Legal forces render both internal and external impact to the company which influencing the decisions of how the company operates in the market. The internal impact can be the consequence of employment law, such working hours and minimum wage law, that the company should consider for entering the market. The external impact could relate to the consumer law that affects the behaviour of consumers (Thomas, 2016).

Environmental forces have become very important these days, since governments and consumers have increased their awareness of environmental protection. Punishments and fines will be levied to companies for pollution. Environment laws and waste disposal laws have been put in force. The force can be extended to weather, climate change, agriculture and so on. Depending on the industries, the level of impact of the environment varies (PESTLEanalysis Contributor, 2015).

## 2.4 Market entry strategy to China

A market entry strategy aims to assist companies in planning and implementing an approach to deliver their products to a new foreign market. Companies rarely succeed in entering a new market without planning. This strategy can help companies to increase the chance of success when expanding to a new market. (Kar, 2011)

### 2.4.1 Representative office

The representative office is mainly responsible for marketing and non-transactional activities in China. This office cannot issue invoices as operational functions are limited by the Chinese government (Ku, 2013). However, it is the easiest and quickest way to get into China by setting up a representative office. On the one hand, there are fewer regulations to restrict the development of the representative office compared to setting up a branch. Moreover, the Chinese government does not require any capital deposit to establish the representative office. On the other hand, since the representative office is not a legal entity in China and there is no liaison between the headquarters of foreign companies and Chinese government agencies or related departments, all legal responsibilities are borne by the parent company (Prange, 2016).

### 2.4.2 Wholly foreign-owned enterprise (WFOE)

The wholly foreign-owned enterprise (WFOE) is a liability limited company in China and owned by a foreign company. The foreign company can have 100% equity and control

to maintain the company in china. In terms of jurisdiction, the company can sell products, issue invoices, and generate income. The Chinese government do not require capital registration for WOFE. It is suitable for a company involved in exporting and manufacturing activities (WFOE Organization, 2016).

#### 2.4.3 Foreign-invested commercial enterprise (FICE)

The foreign-invested commercial enterprise (FICE) is an alternative option for the WFOES and suits a foreign company that seeks to extend the activities from exports and manufacturing to distribution in China. In this approach, FICE can distribute the import production of manufactured products in China through their own channels like wholesalers, retailers, and franchising partners. FICE is allowed to provide those services that are not included in WOFE's orientation, including warehousing storage and inventory management (China Briefing, 2013).

#### 2.4.4 Joint venture

Joint venture is an arrangement to join two or more parties together for either business activities or project. Here the participants have to utilize their resources to accomplish a specific task. Every participant is responsible for sharing profit, loss, and costs related to the task only. Other participants have no right to use any entity that is not related to the joint venture agreement (Prange, 2016).

### 3 Methodology

An exploratory study is the main part of this thesis and aims to provide a clear vision of the problems existing in the market. In this research, it aims to help Asia Exchange and others to understand the education market in China, where the company has limited information and thus the prospect for the company is vague. Before getting into this vague market, the company would like to know more about the market before moving into China. Through the exploration the company will be able to define some important unknown variables. After collecting data, a comprehensive analysis can be conducted. With its result, the company can consider developing hypotheses for the next move (Blumberg, Cooper and Schindler, 2014).

This market research has been designed to collect both quantitative as well as qualitative information to investigate the market, acquire knowledge of the market, and to find a solution to the research problem. Since it is an exploratory study, this market research relies more on qualitative research. Nonetheless, by combining quantitative research

and qualitative research, this research can provide a comprehensive understanding of the Chinese education market.

Qualitative research is to understand the reason, motivation, and opinion in case of one phenomena and develop ideas after understanding the reasons behind it. In depth interviews are one of the approaches to collect qualitative information in this research. The targeting groups in the interviews are students, universities, and agencies in China. A semi-structured approach has been applied whenever the interview started with specific questions and then formulated questions in accordance with the interviewee's thought. This approach is more flexible during conversations as new questions and follow-up questions can be raised at any appropriate time at the interviewer's wish. Hence, the data collected from this interview approach includes exploratory information and explanatory information. The objective of these interviews is to understand the attitude and opinions of students and agencies towards Asia Exchange's study destinations in Asia. Quantitative research gives quantitative information like numbers and figures. This provides descriptive data, which is used to describe any phenomena associated with the subject of the research. In this paper, quantitative research has been utilized to investigate the total number of tertiary students in China, the number of outbound students from China, the outbound mobility ratio, etc. This kind of information can clearly state the situation of higher education and study abroad options in China. To collect this information, it is necessary to conduct a large-scale investigation—it is impossible for the researcher to carry out such a big task on his/her own. Hence, in this research, quantitative information has mainly been obtained through secondary data from the UNESCO and the education ministry of China.

## **4 Chinese Market Research**

The research summarizes the current state of the education market in China, including the general educational structure and the situation of student mobility in China, which can give Asia Exchange a better grasp of the situation. Interviews with different students, parents, and study abroad agencies have been undertaken to reveal their preferences towards the Asian study destinations offered by Asia Exchange.

### **4.1.1 General education structure in China**



The Chinese education market can be divided into four main areas: traditional education, studying abroad, training, and online education.

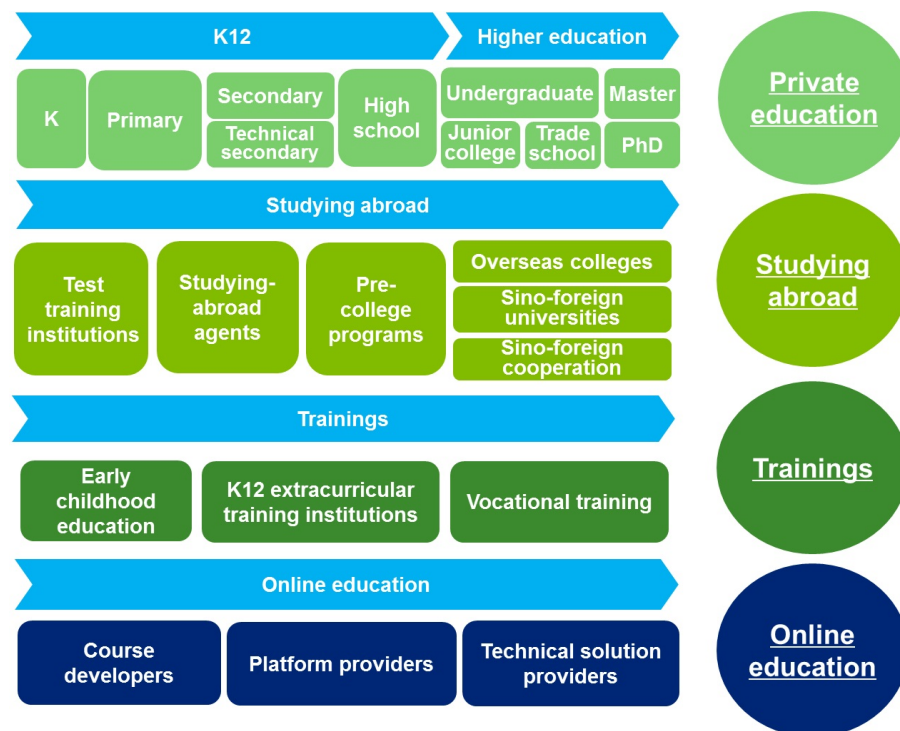


Figure 1 Mega trend in Chinese education market, according to sources from Deloitte (Deloitte, 2015)

Traditional education is those institutions that offer K12 programmes<sup>2</sup> or higher education programmes. These programmes are mainly operated by public institutions, but the demand for private institutions is increasing. Studying abroad means students selected to study overseas irrespective of their current educational levels. Training refers to alternative courses that are excluded from traditional education, such as pre-kindergarten courses and vocational training programmes. Online education is a new trend in China. Online courses are integrated with offline study materials. Students who are pursuing higher education and planning to study abroad are the major target customers of Asia Exchange.

<sup>2</sup> K12 programme is a short form in education that comprises education from kindergartens and primary school to high school.

## 4.2 Tertiary education in China

The awareness of receiving education has increased, resulting in a significant increase in the number of participants in tertiary education in China over the last decade. The number of enrolments in tertiary education doubled from 20,601,219 in 2005 to 43,367,394 in 2015 (UNESCO, 2017).

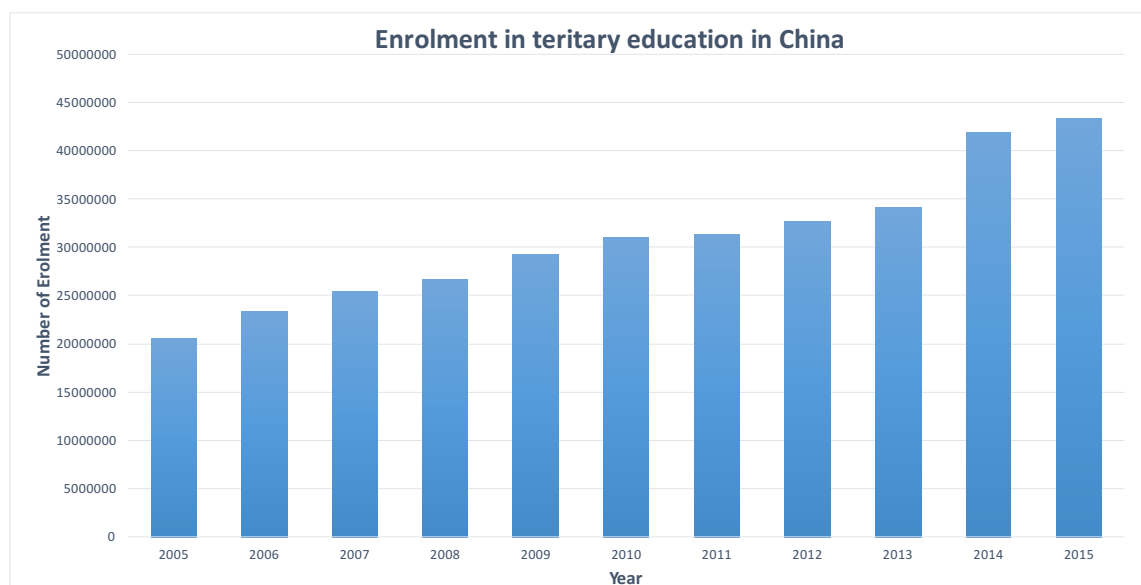


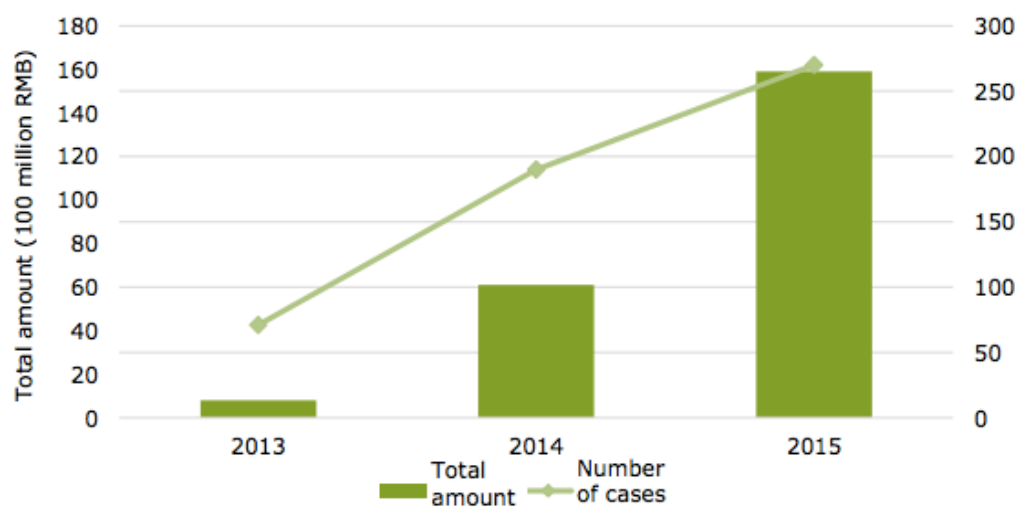
Figure 2 Enrolment in tertiary education in China (UNESCO, 2017)

This indicates that the importance of tertiary education is increasing significantly. More and more Chinese students are receiving tertiary education. There are several reasons to explain the expansion of the education market in China. First and foremost, the Chinese government has supported the education sector a lot. China has surplus manpower, but it is useless if they are unskilled. Therefore, the government has implemented different policies and investments to optimize the development of education. The government has proposed to implement preschool education by 2020, to introduce compulsory education policies, and to develop the 'One Belt, One Road' Initiative to increase the number of inbound and outbound students from and to neighbouring Asian countries. China is not only optimizing the education industry, but also globalizing it (Deloitte,

2015). This means that the Chinese government is going to facilitate the outbound mobility to neighbouring countries so that Chinese students can absorb foreign cultures and knowledge and contribute to turning China into a superpower.

Increasing inflow capital is another factor to accelerate the development of education in China. The total amount of investment rose from RMB¥ 6.1 billion in 2014 to RMB¥15.9 billion in 2015. (Deloitte, 2016)

**Figure 1-1 : Amount and number of investment in education industry (2013-2015)**



*Figure 3 Amount and number of investment in the education industry in China, according to sources from Deloitte*

Cross-sector merger & Acquisitions is another trigger point of the increase in the demand for higher education in China. Non-educational companies have been seeking opportunities to set foot in the education market. Most of these companies have integrated their existing products with educational products. Baidu, a company offering an online search engine in China, bought Chuanke.com, an online platform that provides online educational service, in 2015. This merger allowed Baidu to expand its business distribution to the education market. M&As is considered as the most attainable approach for non-educational companies to seek opportunities in the education market. The more resources the market has, the faster is the development speed. The optimistic rate of rise has driven the development of the education market (Deloitte, 2015).

Finally, owing to the new implementation of 'two-child policy', the birth rate in 2016 increased by 7.9% (Juan, 2017). The 'one-child policy' had remained in force in China for

more than three decades until 2016 to maintain a low birth rate. The ‘two-child policy’ was introduced to tackle the problem of aging population and labour shortage. Compared to 2015, the new policy has increased the number of new-borns by 1.31 million—this number will grow steadily over the next few years. The number of student enrolments will increase along with the number of new-borns, thus triggering the demand for an expanded education market.

#### 4.2.1 Universities in China

Chinese universities are divided into two categories, namely government-owned university and non-government-owned university, where the latter includes private universities and Sino-foreign cooperative private institutions.

There are 2,560 higher education institutions in China. Moreover, 1,219 universities offer degree programmes and 275 are the independent colleges. There are 813 non-government-owned higher education intuitions. Most of the universities in China are research-orientated (Ministry of Education of the People's Republic of China, 2016).

Universities in China can be categorized in terms of provincial levels. Universities at national and national key levels are recognized as the most prestigious ones and these are highly supported by the central government.

- National (Direct): Directly administered by the Chinese Ministry of Education (MOE)
- National (Other): Administered by other ministries
- National Key Universities: Universities highly regarded by the MOE and the Chinese government
- Provincial: Public universities administered by provinces (or autonomous regions)
- Municipal: Public universities administered by the municipality
- Private: Privately owned and funded universities or independent institutions
- Sino-foreign: Sino-foreign joint venture universities

#### 4.2.2 Tuition fee in China

The tuition fee of bachelor's degree programmes in China varies from RMB 3,800 to RMB 16,000 every year. The differences in the tuition fee depends on universities and the programmes. The tuition fee of Shanghai University is around RMB 5,000 for most of its programmes every year, but it is up to RMB 10,000 for arts programmes (GXEDUW, 2016). The tuition fee for most programmes of the Guangdong University of Finance & Economics is RMB 5,050 a year, while the programmes of animation, product design, and visual arts have a tuition fee of RMB 10,000 (GXEDUW, 2016). The annual tuition fee at Hefei Teachers College in Anhui Province is around RMB 3,500 to RMB 4,200 for business, sciences, and engineering programmes, but it is RMB¥ 7,000 for design programmes and up to RMB¥ 10,000 for programmes that are run in cooperation with US universities (GXEDU, 2016).

The tuition fee in China depends upon the programmes and the location of the university. For business, science, and engineering programmes, the tuition fee is about RMB 3,500 to RMB¥ 5,000. All universities in a tier-1 city, such as Shanghai and Guangzhou, charge more for these programmes than those in tier-2 and tier-3 cities like Anhui Province. Art programmes are the most expensive in China compared to other programmes; the tuition fee for such programmes is up to RMB¥ 10,000 per year.

### 4.3 Outbound mobility in tertiary education in China

#### 4.3.1 The trend

The number of outbound students at the tertiary level from China has increased from 403,000 to 790,000 in a decade. The number of outbound students at the tertiary level is proportional to the number of the enrolments in tertiary education in China. New government policies and capital inflow to the education market, as mentioned earlier, have facilitated the growth of outbound mobility.

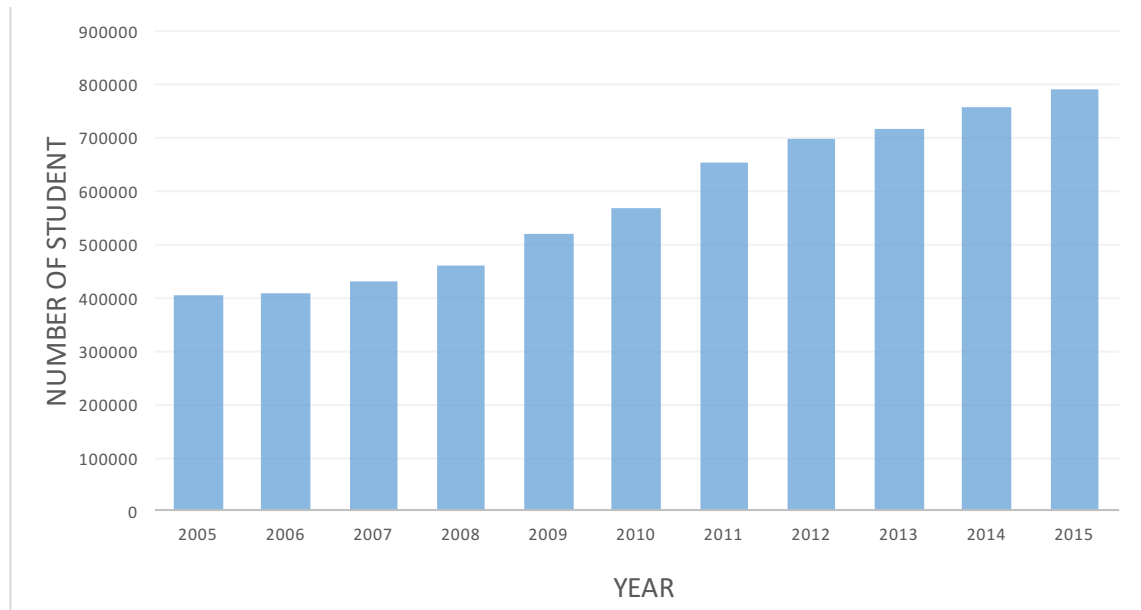


Figure 4 Outbound internationally mobile students in tertiary education (UNESCO, 2017)

Even though the number of outbound students has nearly doubled, the growth has slowed down since 2011 with a notable drop in terms of year-over-year growth. From 2010 to 2011, there was a 15% growth—the highest in 10 years. However, the growth between 2011 and 2012 was 7%, which represents a 46% decrease in year-over-year growth.

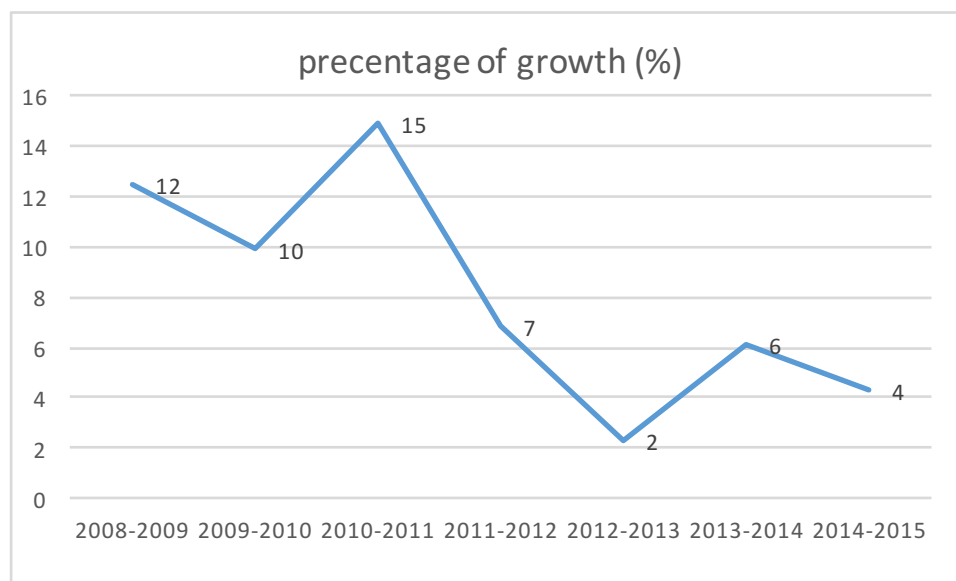


Figure 5 Year-over-year growth of outbound mobility in tertiary education

The easing outbound mobility growth can be explained with several reasons. The Chinese economy is no longer as strong as the golden period. The GDP growth rate of China has decreased from 2011 due to the property market correction and poor performance in import and export industries. Hence, economic uncertainties have pressurized Chinese families to send students abroad to pursue higher education.

Educational reforms were another reason that has led to the slow growth. The Chinese government has put more emphasis on the quality of the university to tackle the low employment rate of graduates. To increase the employability of students, the government has carried out two measures to reform the education in China: 1) increasing the enrolment at vocational training schools; and 2) converting 600 universities into technical colleges. By shifting the demands from traditional academic programmes to technically orientated programmes, the Chinese government has wanted to help domestic students to access modern technical skills and knowledge to increase their employability. This has slightly increased the demand for studying abroad.

#### 4.3.2 Outbound mobility comparison

By comparing with other Asian countries nearby China, the performance in outbound mobility can be evaluated and estimated.

Country or territory	Students from given country studying abroad (outbound mobile students)		
	MF	Outbound mobility ratio (%)	Gross outbound enrolment ratio
	(1)	(2)	(3)
China	694,365	2.1	0.6
Republic of Korea	123,674 **	3.7 **	3.6 **
Singapore	21,777 **	8.9 **	...
Viet Nam	53,802 **	2.4 **	0.6 **
Hong Kong	30,827 **	11.4 **	6.8 **

Figure 6 TABLE A TERTIARY EDUCATION / International flows of mobile students by the country of origin / 2012 (UNESCO, 2012)

Hong Kong and Singapore have the highest outbound mobility ratio with 11.4% and 8.9% respectively, since these two countries have the most developed and organized education system in Asia.

The Republic of Korea, South Korea, is a new education hub in Asia, where the education system improved a lot along with dramatic economic growth. Along with the economic growth, the investment in education has increased and facilitated international mobility. The outbound mobility ratio is 1.6% higher than China.

Vietnam is less developed than the countries on the table, but the outbound mobility ratio accounts for 2.4%, which is 0.3% higher than China. Even though the economic performance is not as strong as China, it is the strongest student outbound market in southeast Asia. Owing to the limited capacity of domestic placements and less developed education systems, Vietnamese students seek quality education abroad.

China has the worse outbound mobility ratio compared to the neighbouring countries. Nonetheless, the education industry in China is not as mature as the countries listed above. Education in tier-1 and tier-2 cities in China has developed and improved, but it is not the case in tier-3 and tier-4 cities. There is vast potential for China to increase the ratio, to usher in development in tier-3 and tier-4 cities, and to implement the 'One Belt, One Road' policy.

#### 4.3.3 Top 11 study destinations among Chinese students

In 2015, 46.8% of Chinese mobile students went to the US, which is the most popular study destination for Chinese students. The second and the third most popular places for Chinese students to study abroad are Australia and the United Kingdom that accounted for 11.4% and 10.9%, respectively, of the total number of Chinese students abroad. The top three places are English-speaking countries as well as the most popular study destinations in the world. They are followed by Japan, the fourth destination, that accounts for 10.8% Chinese outbound students. However, Japan is not the only Asian country where Chinese student prefer to go; South Korea, Hong Kong, and Macao are ranked 6<sup>th</sup>, 7<sup>th</sup>, and 11<sup>th</sup>—these are the most developed countries in Asia (UNESCO, 2016).



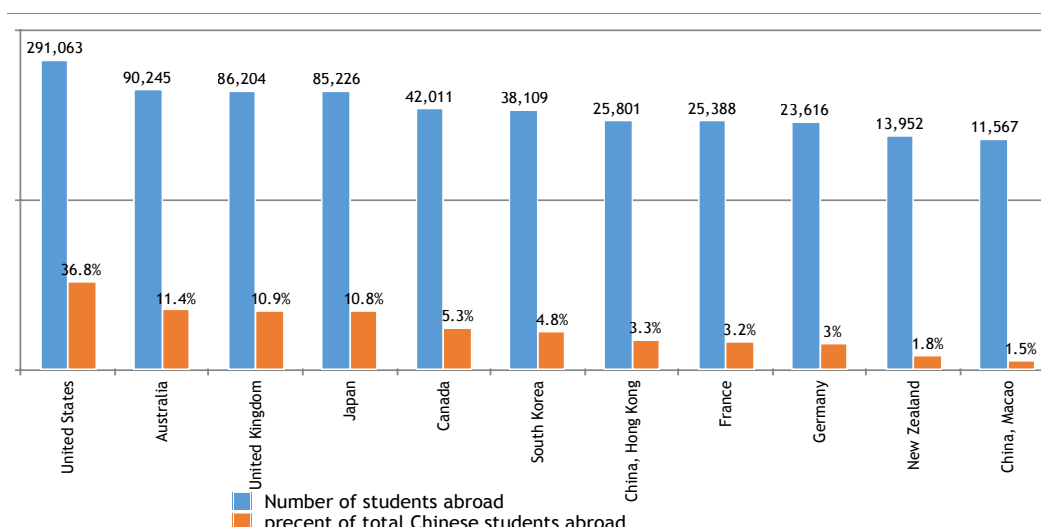


Figure 7 Top 11 destinations preferred by Chinese students to study abroad in 2015 (UNESCO, 2016)

The US, the UK, Canada, and Australia are the most popular study destinations in China. These four countries have in common that they are English-speaking countries—this explains the popularity of these destinations. Many Chinese students would like to improve their English language skills, since it is the global language that can help them to increase their global competitiveness. Moreover, many top-ranking universities around the globe belong to these four English-speaking countries. Chinese students believe that they can have a good prospect if they can enrol in any university in these countries.

In Asia, Japan and South Korea are well-known technology and engineering hubs and thus attract a lot of Chinese students who are interested in technology. Furthermore, owing to the influence of Japanese culture and K-pop, many Chinese students go there to study the Japanese and Korean languages.

Hong Kong and Macau are the special administrative regions of China. Even though Hong Kong and Macau belong to China, their education systems and quality of education are totally different from those of China. Universities in Hong Kong have high global rankings. Since their tuition fees and living costs are cheaper than those of western countries, a lot of Chinese students, especially those from the middle class, pursue higher education in Hong Kong and Macao.

Chinese students tend to go to those countries that are well developed with good university rankings. Almost all the countries listed above are famous for education. Moreover,

getting international experience in these countries will benefit the future of Chinese students in terms of education and career.

#### 4.4 Study abroad agencies in China

In China, there are more than 1,000 licensed agencies working in the student recruitment industry with more than 3,000 points of sales in China. In tier-1 and tier-2 cities, there are more than 654 agencies. The student recruitment market has grown rapidly in past few years; it displays an expansion of 26% from 2014 to 2016.

Educational agencies in China were first established more than 10 years ago. Owing to the strict governance of the study abroad market given by the provincial authority, agencies were required to have a large amount of the capital to apply for a license from the authority. Therefore, it was hard for small organizations to get into the market because of the high requirement and long average year of establishment. However, starting from 21 January 2017, provincial licensing for education agencies, including study abroad agencies, have been abolished (Smith, 2017). Study abroad agencies now do not need to obtain a license for their businesses. This means that newer and smaller agencies would be able to get into the market under the new policy. Even though the licensing requirement is removed, the government reinforces the new regulatory to monitor study abroad agency.

The new regulation aims to increase the transparency of the industry. The MOE and the State Administration of Industry and Commerce in China will design a new contract for the agencies for defining the responsibilities of an agency, parents, and students in order to protect all the parties involved, especially students. These government bureaus will also increase the level of supervision, investigation, and punishment for violation of law. Customers in this industry usually look for secondary education and tertiary education abroad. As much as 99% of the agencies focus on tertiary education recruitment. Meanwhile, 60% of these also focus on secondary school recruitment and 30% on organizing study tours and short-term programmes abroad.

The agencies in China can be divided into three groups: The first one is the traditional agency, which only provides study abroad services. Usually, the agencies under this group provide one-stop service. They give consultant services to help students to select

the study destination and the university that match their requirements. After that, they assist students to apply to the university abroad—right from preparing the application form to writing a self-introduction. The agency takes care of all the tasks involved in the application process. Furthermore, they assist their students in other related services like visa application and finding possible scholarships (Skibickij , 2016).

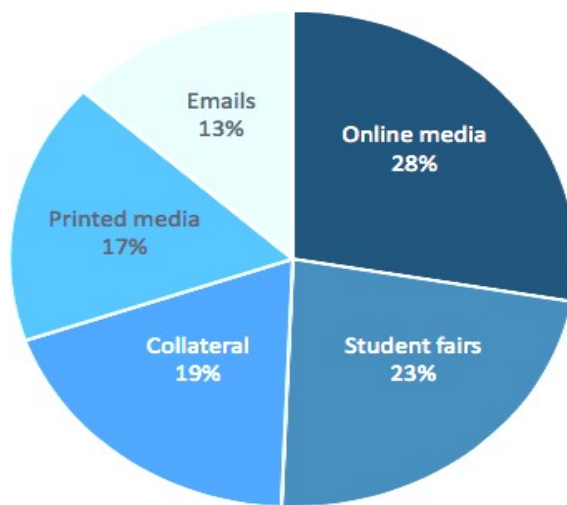
The second type is the mixed agency, which can be defined as those agencies that provide more than one service. Besides the study abroad service, the agencies under this category provide other education-related services that might not related to study abroad, such as tutorial courses and language training programmes. New Oriental is one of the agencies under this category that provides offline and online tutorial courses for students who are studying at elementary school and high school. Furthermore, English training courses are offered to students who want to study overseas. It does not only target those customers that are look for the study abroad service, but also students from different levels and different schools. On the other hand, since they provide different services in one company, they have more channels to approach more students who may become their customer again in the field of student recruitment.

The last group refers to those agencies that do not mainly focusing on the student recruitment industry, but provide the study abroad service as an additional service or by product. Language training centres mostly fall under this category, where most students are go to improve their English skills to pass the English proficiency test.

The target audiences for study abroad agencies in China can be divided into four different groups. The first group comprises individual students who walk in to these agencies for the service. The agencies attract this group of students by using different promotional programmes and advertisements. The second group is constituted by mixed students, who do not only look for the study abroad service, but also other related services like language training. Then, an agency's own students comprise another group of target audiences—for example, New Oriental has a large group of students from the tutorial courses and they might be potential customers for the agency's study aboard service. The last group comprises partner schools where the agencies cooperate with either high schools or international schools and help them to send their students abroad. Through the cooperation with the school, these agencies can send many students abroad at once

either for a study tour or a full degree. However, it is hard to cooperate with the schools because the agency usually utilizes 'gunxi'<sup>3</sup> to obtain cooperation with the schools, which is the deep-rooted culture of China.

In the study abroad industry in China, there are five advertisement methods to attract students. The advertisement methods adopted by the Chinese agencies are online media and student fairs; these account for 28% and 23% of the students respectively.



*Figure 8 Advertisement methods in the study abroad industry (Skibickij , 2016)*

The social media scenario in China is totally different than the western media. The most popular and important social media are WeChat, Weibo, and Baidu, which are similar to WhatsApp, Twitter, and Google. Although the social media platform is different than the ones in western countries, they should not be underestimated as more than 400 million people were using such social media platforms in 2015. Chinese people spend, on an average, 90 minutes on social media a day. As much as 38% of them make their shopping decisions based on social media recommendations—this reveals that social media highly influences their buying behaviour (Jamie, 2015).

<sup>3</sup> A wide network of mutually beneficial relationships developed outside the formal work setting, for instance, at evening meals or over drinks; it is often the secret behind securing a business deal (Katie 2014).

The agencies usually invest money in banner advertisements in Baidu and Weibo so that consumers can spot the advertisement easily on these websites when searching related keywords. In WeChat, these agencies can even set up a mini store inside the mobile application and students can easily collect information about the study destinations and other services provided by the company. The agencies often put different blogs and articles in the store and three to four posts are sent to the followers every week to motivate them to purchase the services. In fact, students can easily purchase the services through the mini-store.

Study fair is another way for the agencies to reach students and promote their services. There are different study fairs held in different cities in China by schools, provinces, or big education organizations. There is a high demand for study fairs as Chinese students like to have face-to-face conversations while collecting information. Furthermore, Chinese students can gather a lot of information and advices about different universities and destinations at a single study fair.

As much as 19% of the agencies use marketing collaterals to advertise their study abroad programmes to Chinese students. Marketing collaterals refer to printed materials like posters, leaflets, and brochures. These collaterals are used to provide information about the company and its programmes as well as to motivate students to purchase the study abroad programmes. Printed media and emails account for the least percentage of advertisement strategies among such agencies in China. Printed media includes advertisements, press releases, and articles published in newspapers and magazines. The reasons behind the low percentage is that the outcome of this method is not significant while the cost is high. Also, students in China prefer to read news online. Therefore, it is not cost-efficient to advertise in printed media. Moreover, email marketing is not popular in China. Chinese students seldom use emails; they prefer to use instant message tools like WeChat and QQ to communicate. Furthermore, mass email is easily considered as spam which reaches the junk mailbox occasionally. Most of the above-mentioned information has been confirmed by interviewing the study abroad agencies and the Nanjing Marketing Company, a digital marketing company in China.

#### 4.5 Parents in China

Parents can always influence the decision regarding the study destinations. Owing to the Chinese traditional culture, Chinese students are less independent than their western counterparts. Chinese students usually seek parental approval when they select a university abroad. There are four issues that parents consider when they get involved in selecting a university abroad: country, brand awareness, university ranking, and student body demographics.

Chinese parents usually select the country first before finding a specific university in a destination. They compare the countries based on the admission requirements, application periods, and other general criteria. The US is always the most popular destination among them. They also consider other countries on the basis of recommendations from relatives and friends. Chinese parents assume that education abroad, especially in advanced countries, is better than in China and that the degree programmes and international experience can increase the competitiveness and employability of their children when they would return to China (Melcher, 2010).

Branding is the second issue to which the parents pay attention. In fact, Chinese parents are widely influenced by word-of-mouth. They describe universities by using words like 'famous' and 'well-known'. 'Famous' refers to the most prestigious universities, such as Harvard, Yale, Oxford, and so on, while 'well-known' refers to those universities that are widely recognized by the Chinese and recruit more than 100 Chinese students every year, such as the University of Hong Kong, National University of Singapore, and Iowa State University, among others (Melcher, 2010). However, some of the universities can become 'well-known' due to the aggressive marketing and promotion of brands that etched themselves on the parents' memories.

University ranking is another issue that influences the parents' decision-making process. In China, public university rankings are listed; these are ranked by the Chinese government and thus they consider all the university rankings around the world that are reliable and trustable. Nevertheless, some of these rankings are created by magazines, such as 'The Times Higher Education World University Ranking' operated by Times Higher Education magazine and 'Top Graduate Schools' listings by US News, and are not questioned by Chinese parents. When choosing the university and the programme abroad,

Chinese parents strongly rely on the ranking lists. The most popular ranking lists in China are the 'National Universities' list and the 'Top Graduate Schools' list by US News & World Report (Melcher, 2010).

The parents are also concerned about safety abroad. Since China is a tightly controlled country, they think that it is the safest place in the world. Moreover, influenced by violent films and TV shows, some parents are anxious about the safety of their children in big foreign cities like New York and London. Additionally, shooting incidents and tragedies at schools increase their anxiety.

Student body demographics are another concern for Chinese parents. They have prejudice against schools with a large population of dark-skinned students. Owing to the historic culture bias against dark skins, the Chinese assume that dark-skinned people are suspicious (Jaffe, 2012). Chinese parents prefer universities with less Chinese and Korean students—unless a university is famous in the academic arena—because they wish their children to immerse in foreign cultures (Melcher, 2010).

#### 4.6 Attitude towards Asian destinations

##### 4.6.1 Students

As many as 13 students from Guangzhou University and the Guangdong University of Foreign Studies were interviewed. Western countries are the study destinations where they prefer to go the most. However, money is the main concern to some of the students in determining their study destinations. Some of interviewees are from tier-2 cities where the household income is lower than that in tier-1 cities. Their family cannot afford them to go to western countries where travel expenses and living costs are higher than staying in China. For students from tier-2 cities, Indonesia or Thailand might be a good match as they could gain international experience at a relatively affordable cost. Another concern of the students is the quality of education in southeast Asian countries—they believe that these countries are less developed than China and are afraid that schools in southeast Asia would not be approved for an exchange programme because these have not been evaluated by their home universities. Furthermore, the quality of all universities in southeast Asia may be different from the home university in China and they worry that their home universities would not accept the credits earned from the universities outside the bilateral agreement. The students do

not want to spend a semester abroad without getting credits as it may result in deferring their graduation.

Language students from the Guangdong University of Foreign Studies mentioned that many students majoring in the Indonesian language, Malay language, and Thai language are interested in going on exchange. It is difficult for these language students to practise a foreign language in China. Students usually spend at least one semester abroad to specialize in the language. However, students from language programmes seldom go on exchange through study abroad agencies because there are enough exchange placement quotas at their universities; home universities usually charge additional fee to retain their student status.

#### 4.6.2 Universities

Four universities were interviewed: the Renmin University of China, the Guangdong University of Foreign Studies, the Beihang University, and the Guangzhou University. All the universities stated that the US, the UK, Australia and Europe are the most popular destinations for their student to go on exchange. For Asian countries, South Korea, Japan, and Hong Kong are the most popular destinations. The information from the universities is similar to the trends of studying abroad, as stated above in Section 4.3.3.

About destinations in Indonesia, Malaysia, and Thailand, the representatives of the four universities have pointed out that the demand for studying in those countries is not high. But they have also mentioned that the possibilities of studying in those countries should not be ruled out. Since there are limited placements for students willing to go on exchange through the university bilateral agreement, some universities do not have enough quotas to satisfy the demand at schools and cannot increase the number of placements within a short period.

The number of exchange applications has reached the ceiling already. For example, we received 10 applications to Seoul National University last year, but we had only three placements. Thus, seven students were declined. Therefore, we are looking for alternatives, such as Asia Exchange, to assist more of our students to go abroad.

—Zhang, Damiao, Manager of International office, Renmin University of China



This means that there are many students whose applications for going on exchange are rejected through the university's bilateral agreement. Asia Exchange provides an alternative solution to the university to satisfy these students.

The Guangzhou University stated that the study destinations in southeast Asia are less attractive, but there is ample potential to develop. There is no promotion to introduce the quality of education in these Asian countries. Unlike the popular study abroad destinations, students do not have enough information about these countries that are not in the mainstream. Insufficient information and promotions explain as to why Asia Exchange's destinations are unattractive in China. Despite this, universities suggest to promote the summer school in Bali and Seoul to Chinese students first; they think that a short period of exchange would be easier to motivate the participation because the tuition fee is lower. Moreover, unlike exchange programmes during a semester, the summer school does not interfere in academic study. This indicates that word-of-mouth is important in China and summer programmes could be the point of entry for Asia Exchange to penetrate the Chinese market.

The Guangdong University of Foreign Studies have mentioned that it is mandatory for students at their school majoring in Asian languages to go on exchange. However, these students do not need to pay any tuition fee to the host university if they go on exchange through the university bilateral agreements. However, if they apply to a university abroad on their own through study abroad agencies, they have to pay tuition fees to both universities—the host university and home university. It is more expensive for students to go abroad through Asia Exchange.

#### 4.6.3 Study abroad agencies

In total, 14 agencies were interviewed. They are from Shenzhen, Shanghai, and Guangdong—tier-1 cities in China. Most of the agencies (71%) in China are not interested in Asia Exchange's study destinations. Their attitudes varied with the location of their office. Most of the agencies from Guangdong and Shenzhen have mentioned that they are not interested in the company's Asian study destinations. On the other hand, agencies in Shanghai have noted that there is a good prospect of attracting student to Asia Exchange's destinations.

Are you interested in the Asia Exchange's study destinations?

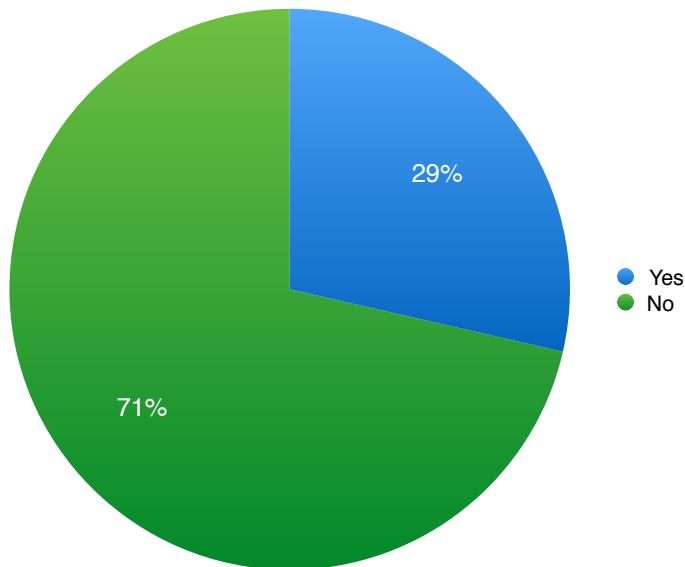


Figure 9 The attitude of agencies towards Asia Exchange's study destinations

Many agencies in Shenzhen and Guangzhou have explained that their students, who are mainly from Shenzhen and Guangdong, are wealthy and can afford to go to English speaking countries for degree studies. If the students are not qualified for the degree programme, they would then apply for the preparatory courses or high school in these countries, since they can afford to spend one to two years abroad to prepare themselves for the degree application.

Chinese students think China is better than many Asian countries like Indonesia or Thailand. Students will not go to those countries that are less developed for education even on a short-term exchange. Maybe those students from tier-3 cities who have performed fairly in Gaokao, the public entrance examination in China, might be interested.

—Olive Gan, Assistant Manager, Education Department, Wonderful International (Shenzhen)

The attitudes of agencies in Shanghai towards Asian destinations is opposite, since most of them believe the study abroad market will be saturated in coming years. English-speaking countries, European countries, Japan, and South Korea are the most popular destinations nowadays, while almost all the agencies in China have worked on these destinations already. The competition is intense, and a pricing competition can be occasionally seen—this might lead to a bad competition.

Besides western countries, Chinese students are interested in going to South Korea and Japan to study. However, it is difficult to recruit students to these countries as many agencies help students to study there. Talking of Bali, I have never heard of an agency that has such an exotic study destination. If we promote Bali, I believe students will be interested to go there.

-Allen Hao, Director, CL Global (Shanghai)

These agencies believe that Asia Exchange's study destinations would become the niche market for them, since only a few agencies focus on these destinations. There is ample potential to expand their study destinations in these destinations. Furthermore, the agencies have also touched upon to the 'One Belt, One Road' initiative carried out by the Chinese government; their cooperating with Asia Exchange would promote the new initiative and increase the outbound mobility to Asian destinations from China.

All the interviewed agencies believe that Chinese students are interested in going to Japan and South Korea. Some students might be interested in going to Malaysia because all study programmes are taught in English and there are a lot of ethnic Chinese people. Thus, it is suitable Chinese students who do not want to go far away from China and are less independent.

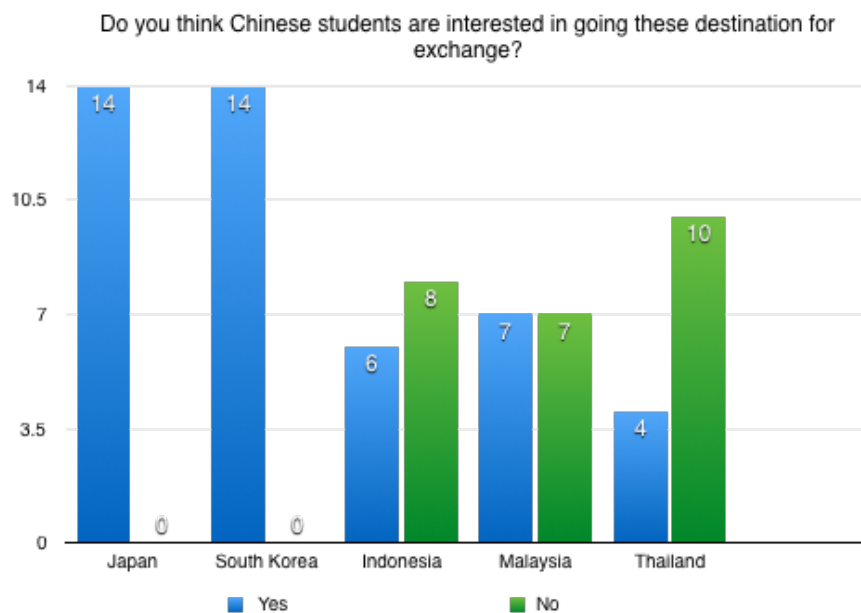


Figure 10 Do agencies think that Chinese students are interested in studying in Asian destinations?

The agencies have mentioned that they are not optimistic about Thailand and Indonesia as study abroad destinations due to Chinese parents' perceptions of these two countries. The parents have strong perceptions that Thailand and Indonesia lag behind China. They assume safety and stability are the major issues in these two countries. Moreover, the

quality of education is not as good as China. Thus, they prefer their children to stay in China rather than spending money for going to those Asian countries for education.

## 5 PESTLE Analysis

### 5.1 Political force

#### Instable relation with Japan and South Korea

The foreign affairs relation between China and South Korea is intense. The relationship problem between China and Japan has a long history that can be traced back to the second Sino–Japanese War, in late 1930's, that resulted in massive casualties for China (Fong, 2016). The Sino–Japanese relationship is still quite intense centring the issues of the Diaoyu Islands, East China Sea, Sea of Japan, missile system of Japan, and so on. This uneasy relationship has resulted in different types of boycott policies from China. In fact, China has also banned tour group travelling to South Korea from 15 March 2017 due to the US anti-missile system positioned in South Korea. Study tours are included in this (DIAZ & ZHANG, 2017). China's unstable relationships with Japan and South Korea have led to many uncertainties for Asian Exchange, since no one can predict when the boycott activity would happen again and influence the study programmes.

#### Two-child policy

The two-child policy has been implemented to replace the one-child policy, which had been executed for a long period. There was a 7.9% increase in the number of newborns in 2016, one year after the two-child policy was introduced. The Chinese government expect the birth rate to rise in the coming years. The number of students in China will increase gradually in the next few years. Considering the long-term perspective, the demand for the study abroad service will increase along with the birth rate.

### 5.2 Economic force

#### Stable economy

The GDP growth rate in China was 6.9% in the first quarter of 2017, which is 0.1% higher than the performance in the first quarter of 2016, due to a splurge on infrastructure and the overheated housing market (REUTERS, 2017). China is expected to have a positive GDP growth in the next few years, but the growth rate might be slower.

Even though the GDP growth rate is slowing down compared to the peak rate a few years ago, China is expected to take the leading position in the world economy in the next few years by different financial organizations like the International Monetary Fund (Julia, 2016). Owing to the inflow of foreign investment and an overall younger population compared to other countries, a significant economic improvement is foreseeable in China. This indicates that the Chinese economy will become stronger and more stable in future.

### 5.3 Social force

#### Perception towards Asian destinations

By interviewing agencies in China, it becomes clear that Chinese parents can influence the decisions of their children on study abroad destinations. However, most of the parents are not willing to send their children to Asian destinations. Some parents think China is performing better than many Asian countries; they would like to send their children to somewhere further and more advanced destinations. This indicates a strong perception of the poor education quality in Asia.

#### Non-independent student organizations

Student organizations at universities are not as independent as those in western countries. Asia Exchange has advertised its study programmes to student organizations in different universities in western countries. These organizations usually spread the information about study abroad programmes to their members if they find that such programmes are good for their members. Student organizations in most countries are independent to the university—they can handle duties and organize events without getting any permission from universities and thus it is easier for the company to approach them. However, most student organizations in China belong to and governed by schools. The functions of these organizations include organizing and holding events, monitoring the moral conduct of students, and maintaining discipline and so on. They are not allowed to do any promotions for the company without taking permission from the universities.

### 5.4 Technological force

#### Social media in China

Social media is a major channel for agencies to promote in China. However, Chinese social media sites are totally different from those popular around world. Facebook, Google are banned in China. The local social media includes WeChat, Weibo, and Baidu, which are similar to Facebook, Twitter, and google respectively. Since Asia Exchange has never done any search engine management and digital marketing on these platforms, it would take time and money for the company to increase the brand exposure on the Chinese social media.

#### Tightening the control of Internet use

A newly adopted cyber security law in China has increased the difficulties of foreign companies to gain access to the Chinese online market. The Chinese government believes that crime and terrorism could be avoided by controlling the Internet (Reuters, 2017). The websites of companies having overseas Internet domains or storing online data overseas will be suspended and their business in China might be withdrawn. According to the new law, companies should provide technical assistance support to the police and the national security agency. Since the information must be hand over to different departments, personal information and intellectual property are at risk. Such companies are also required to adopt Chinese encryption instead of international encryption to list their websites within China. Even though the new law has been condemned by different human right organizations, there is no sign that China will remove the law but the Chinese government will take further action in this regard (Zhuang & Reuters, 2016).

### 5.5 Legal force

#### Study abroad agency licensing abolished

The abolished study abroad agency licensing gives Asia Exchange a higher chance to get into the Chinese market. The company does not have to reserve a large amount of capital as the deposit to guarantee a licence. At the same time, it also gives opportunities to different small- and medium-sized agencies to enter the market. This indicates that it is more difficult for a single company to obtain a favourable market share in the industry as more competitors would be getting into the market.

### 5.6 Environmental force

#### Unpredictable natural disasters

Japan and Bali are situated in the earthquake zone—the Pacific 'Ring of Fire'—while earthquakes are natural phenomenon which cannot be accurately predicted and prevented. The magnitude of earthquakes varies: It can be so low that humans cannot feel and very high that can destroy a whole city. In Japan, the earthquake on 11 March 2011, which triggered a massive tsunami and hit the coastline in Tohoku, claimed 18,000 lives. In Bali, earthquakes are usually not as serious as in Japan. However, there are more than 130 active volcanoes in Indonesia and they often erupt. There was a volcano eruption on Lomok, one of Asia Exchange's study destination in Bali, on August 1 2016 (BEALL, 2016). Although, no one was injured in the eruption, different scales of evacuations were undertaken in previous eruptions in Indonesia.

Humans have no control over natural phenomenon. Because of these uncontrollable natural disasters in Japan and Bali, Chinese parents and students may not be interested in these destinations lest earthquakes or eruptions should happen again.

## **6 Marketing Mix**

### **6.1 Current marketing mix**

#### **6.1.1 Product**

Asia Exchange provides short-term and full degree study abroad programmes in Asia. These programmes usually last for one semester. The target students are those who cannot find a suitable exchange destination from their home university or students who were declined from joining school exchange programmes because of a limited number of placement quotas. The programmes organized by the company are available in 13 universities in five different countries: Bali and Lombok in Indonesia, Bangkok and Phuket in Thailand, Malaysia, South Korea, Japan, and China. The company also provides summer school programmes in Bali and South Korea.

Through these programmes students can make friends with local students and other Asia Exchange students of 50 nationalities. Besides the academic exchange, students will be immersed in foreign cultures to experience cultures that are totally different from their own cultures. Their international experiences will increase from the programme and set them to their future career paths.

### 6.1.2 Price

The company has set two clusters of price for European students and non-European students. The tuition fee for European students is, on an average, €1,650 per semester. The tuition fee varies with the locations and the universities under the European price. The tuition fee for non-European students is US\$ 2,880 per semester. It is a fixed price for every university under the non-European price.

The two clusters of price have been set because tuition fees in Europe is lower than those in other continents. In some of European countries, such as Finland and Germany, higher education is free for local students. If there is a tuition fee in these European countries, its price is low. Furthermore, it is easier to send follow-up mails, including the transcript of records and certifications, by post within European countries where the shipping cost is less expensive. The idea behind setting the non-European student price is to market students from North America and Australia who would be able to give higher tuition fees.

### 6.1.3 Promotion

The company mainly relies on its newsletter, social media, partnership with universities and student organizations, and word-of-mouth to promote its study programmes to university students. Its newsletter is sent to students, student organizations, universities, and other stakeholders every month to promote the programmes. It also publishes posts on western social media every day, including blogs, videos, photographs, and student reviews, to attract more students to participate.

The company also seeks cooperation with universities and student organizations, which help it to promote its programmes, usually through internal mass emails. Asia Exchange may give discounts to students from these parties in return.

Word-of-mouth is also the most powerful channel to the company to get participants. Many students are referred by the alumni and the ambassador programme. The ambassador programme is established for the alumni to introduce the programmes. The alumni can get €50 as reward if they can attract one application through their personal network, blogpost, presentation, or other promotional approaches.

### 6.1.4 Place

Students who are interested in participating in Asia Exchange's programmes can apply through the company's website. This is a major channel for students to apply; they can



submit their application forms, copies of transcripts, and copies of travel documents online. All individual students and those from partner institutions are requested to apply online. Students can also enrol to study programmes through the partner agencies. The company has 15 partner agencies in Germany, Sweden, the US, Kyrgyzstan, and France. These partners promote Asia Exchange's study destinations.

## 6.2 Marketing mix in Chinese market suggestions

The company should always ponder whether the service they are providing is enough for the Chinese study abroad industry. There are many agencies in China that provide one-stop services to the student—this indicates the demand for the full package service. The company should consider providing some additional services to Chinese students by emulating its competitors.

The company should consider to set a proper price for Chinese students, since the living standards and tuition fees in China are lower than most European countries and the US. The tuition fee in the Peking University in China is around US\$3500 for one semester, while the tuition fee in the University of New South Wales of Australia is US\$20,298. (Chinese Universities A CEAIE Service, 2017). The company should consider abandoning the non-European fee in Chinese market. Alternatively, Asia Exchange can set up a new price for the Chinese market.

The company should start branding and utilizing the Chinese social media to market Chinese students. As mentioned earlier, the social media platforms used by the Chinese are totally different from western social media platforms. However, these platforms are widely used by Chinese students and are the most effective channels to market students remotely from the company's headquarters in Finland.

Besides social media platforms, the company should highlight the competences of its study programmes, such as the acceptance power authorized by the institutions and fast application processes, in the promotion materials.

Security and the quality of education in Thailand and Indonesia are the main issues that make the universities, students, and agencies think twice. The company can undertake

aggressive promotions to make educational institutions in these two countries 'well-known' in China, as mentioned in Section 4.5.

The company should also start cooperating with agencies and universities in China to provide entity spots to Chinese students to get information and submit applications. Since the company is new in China, Chinese students may have no confidence in its services. Hence, it would be wise for the company to provide its programmes to Chinese students through the universities and agencies as they are reliable.

## 7 Conclusion

### 7.1 Conclusion

In China, the number of outbound students increased to 790,000 along with the development of education in China and the Chinese economy. The Chinese government is keen to improve the quality of education and the system by carrying out different policies to facilitate it. The new inflow of investment in education has accelerated the development of this sector. The number of students enrolled in tertiary education has increased and still expected to increase due to the two-child policy, thus indicating that the demand for exchange programmes and full degree programmes abroad will increase further.

From the perspective of Asia Exchange's programmes, study destinations in Indonesia and Thailand might be the obstacles for the company to get into the Chinese market as most of the interviewees believe that Chinese students are not interested in going to study in these two countries. The company should think about how to influence the perception of the students and parents, as they think the quality of education in the two countries is lagging behind China. Moreover, English-speaking countries and developed countries are the most preferable study abroad destinations among Chinese students. It might be difficult for the company to override this preference.

Although Asian destinations are not popular among the interviewees, the possibility of recruiting students to these countries should not be underestimated. The company can find a niche market in China—for example, marketing students from tier-2 and tier-3 cities that are less developed in China. The company can try to change the mind-set of Chinese students about the Asian study destinations through aggressive promotion: It may

highlight its competences in contents of promotion materials. Regular posting in the company blog is another approach. Asia Exchange can also hold talks and participate in study fairs in China—this can help the company to increase its exposure in China. At the same time, the company can introduce the benefits of studying in Asia.

Cooperation with the universities in China may be an alternative for Asia Exchange to consider. Since exchange placements through bilateral agreements at some of the schools are not enough, it is wise for the company to take this opportunity and offer its programmes to the universities and their students. However, Asia Exchange should understand that the concept of free-mover students is rare in China—Chinese students have to pay tuition fees to their home universities when they participate in the Asia Exchange's study abroad programmes. Double tuition fees increase the financial burden on the students and thus the company may negotiate with the universities in this regard. Scholarships and other types of discounts could be carried out in the cooperation with Chinese universities.

The company should set up its Chinese social media as the first step of entering China because the number of participants in Chinese social media platforms is massive and it does not take much to set up social media accounts. The company can utilize its promotion materials in hand and put it on Chinese social media. Emphasizing the advantages of studying in southeast Asia may correct the perceptions of Chinese students towards the study destinations there. At the same time, the company can understand the audiences more from social media marketing—what kind of information attracts Chinese audiences the most and what kind of topics would raise their interests—and then formulate a new online marketing strategy to adapt to the Chinese market.

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## **Appendix: Interview questions with agencies, universities, and students**

The specific questions to agencies and universities in the interview includes:

- Do you send students to Asian destinations? Why?
- Are you interested in sending students to Asia? Why?
- Do you see any possibility to expand your business into Asia?
- How do you market your students?
- How much do you charge you student?
- Which is the most popular study destination among your student?

The specific questions to students in the interview include:

- Are you interested in going on an exchange programme?
- Where would you like to go? Why?
- Would you consider Asia destinations?
- How do you think about the study destinations offered by Asia Exchange?
- Would you prefer the European Price or the non-European price?
- Do you have any concern about participating in study programmes with Asia Exchange?



